

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the University College of Anuradhapura (“University College”) for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 and the statement of financial performance and statement of changes in net assets and cash flow statement for the year then ended and notes to the Financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be reported to parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the financial statements of the University College of Anuradhapura for the year ended as at 31 December 2025 give a true and fair view of the financial position, financial performance and cash flows, in all material respects in accordance with the Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University College’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the University College or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the University College’s financial reporting process.

As per Sub Section 16(1) of the National Audit Act No. 19 of 2018, the University College is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the University College.

1.4 Auditor's Responsibility in relation to the Financial Statements Audit

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statement.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also,

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is great than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University College's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University College's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the University College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the University College

and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the University College has complied with applicable written law, or other general or special directions issued by the Board of Governors of the University College,
- Whether the University College has performed according to its powers, functions and duties; and,
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws,

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

	Non-compliance with the reference to particular Standard	Management Comment	Recommendation
(a)	A sum of Rs. 3.78 million received on 06 January 2026, for the payment of bursaries relating to the year 2025 was not accounted for as revenue for the year under review, in accordance with Paragraph 8 of Sri Lanka Public Sector Accounting Standard 06. However, since the expenditure for bursary payments was accounted for on an accrual basis in the year 2025, the deficit in the financial performance statement for the year under review was overstated by Rs. 3.78 million.	Since the amount payable for bursaries is an accrued expense, it has been accounted for on an accrual basis. However, it has not been accounted for as income due under the income protection concept.	In accordance with the standard, all income and expenses pertaining to the year must be accurately accounted for.
(b)	Although, in accordance with Paragraph 40 of Sri Lanka Public Sector Accounting Standard 07, an entity must select either the cost model or the revaluation model as its accounting policy for the recognition and measurement of property, plant, and equipment, though the entity disclosed both cost and revaluation amounts in Note 3.1 to the financial statements, it was not possible to identify which asset classes utilized the cost model and which utilized the revaluation model.	In the final accounts, all assets under Property, Plant and Equipment are stated at cost. This is disclosed under Note 10 to the financial statements.	Action must be taken in accordance with paragraph 40 of Standard 07.
(c)	As the useful life time of non-current assets had not been reviewed annually in accordance with Paragraph 65 of Sri Lanka Public Sector Accounting Standard 07, although three asset categories with a	Most of these fully depreciated assets have now been retired, only a portion is being utilized. The value of	In accordance with paragraph 65 of Standard 07, the useful life time of assets remaining in use must

total fully depreciated, value of Rs. 105.73 million remained in use, this estimated error had not been revised in accordance with Sri Lanka Public Sector Accounting Standard 03.

the assets that continue to be used will be recalculated, and steps will be taken to account for them in the financial statements of the upcoming financial year.

be reviewed annually and any estimation errors revised in line with Standard 03, while assets withdrawn from use must be disposed of and derecognized from the books.

- (d) The actuarial valuation method was not used when making gratuity provisions in accordance with paragraphs 77 and 141 of the Sri Lanka Public Sector Accounting Standard 19, The required disclosures regarding this matter had not made in the financial statements. However, it was stated under Note 3.3 (c) to the financial statements that the employee benefit obligation was reported at present value.

At the end of the reporting year, the total number of permanent employees at the Institute was 26, of whom 25 had a service period exceeding one year. Therefore, the provision for employee gratuity has been calculated based on present values.

In accordance with Standard 19, the actuarial valuation method must be used when making provisions for gratuities.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc..

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a)	Section 11 of the Finance Act No. 38 of 1971	Although the institution maintained five fixed deposits totalling Rs. 5.42 million, for that purpose, the concurrence of the Minister of Finance and the approval of the relevant Minister in charge of the subject had not been obtained, in accordance with the Act.	The Treasury approval has been obtained prior to opening the fixed deposits maintained by the institute.	In accordance with the Finance Act, the relevant approvals must be obtained prior to every financial investment.
(b)	Sections 38 (1) (c) and 38 (2) of the National Audit Act, No. 19 of 2018	The Accounting Officer of the institution must ensure that an effective internal control system for financial control is established and maintained, and although periodic reviews and necessary adjustments should have been carried out, the relevant review had not been conducted.	Steps will be taken to inform the relevant line ministry so that necessary action can be taken in this regard.	In accordance with the Audit Act, the Accounting Officer is required to periodically review the internal control system.

(c)	Section 12.2.6 of Chapter VII of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	During the year under review, the University College had paid acting allowances totalling Rs. 536,885 to four officers without obtaining the approval of the Ministry Secretary.	These acting allowances have been paid with the approval of the University College's Board of Management and the Governing Council of the University of Vocational Technology. Furthermore, the Secretary of the relevant Ministry is a member of the Governing Council of the University of Vocational Technology, and the Ministry Secretary's approval for this has naturally been obtained.	Action must be taken in accordance with the provisions of Section 12.2.6 of Chapter VII of the Establishments Code.
(d)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
i.	Financial Regulation 571	Library deposits amounting to Rs. 1.08 million prevailing more than 02 years, that belonging to 250 students who had abandoned courses without completing them, had not been credited to government revenue in accordance with the relevant regulations.	The money is refunded to students upon completion of the courses. No decision has been made regarding the non-refund of these library deposits to students who have left the courses. Therefore, the matter will be referred to the Board of Management in due course to take action either to pay out the deposit funds or, if payment is not to be made, to account for them as revenue.	A policy regarding library deposits of students who have left the course should be formulated, and long-outstanding deposits should be recognized as revenue accordingly.
ii.	Financial Regulation 756 (6), as amended by Public Finance Circular No.	Although annual Board of Survey should be conducted and the relevant reports submitted to the Auditor General before 31 March of the following year, the	Arrangements are being made to submit this Board of Survey report for audit in the near future.	An annual Board of Survey must be conducted to verify the existence of assets.

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| | <p>01/2020 dated 28 August 2020. University College had not carried out the inventory survey activities for the year 2024 and, the survey report for the year 2025 had also not been submitted for audit by 29 May 2026.</p> | | |
| <p>(e) Paragraphs 02(i) and 02(iv) of Public Administration Circular No. 09/2009 dated 16 April 2009.</p> | <p>Although the arrival and departure of all public servants must be verified using fingerprint scanning machines, an examination of the fingerprint records of the University College's staff revealed that 26 officers had failed to record their arrival or departure on 74 occasions. Furthermore, although arrival and departure was required to be verified via the fingerprint scanner for overtime payments, overtime allowances amounting to Rs. 119,526 were paid to nine officers without such verification.</p> | <p>On 12 of these 74 occasions, it was not possible to record exit fingerprints because the fingerprint scanner became inoperative following a power outage. Plans have been made to inquire into the matter with the employees regarding the other dates and obtain a report. Furthermore, all such instances have been recorded in the arrival and departure register. Appropriate instructions regarding this matter have been duly issued to all officers and staff, and the procedure will be systematically maintained from the year 2026 onwards.</p> | <p>In accordance with the circular, arrival and departure must be verified using fingerprint scanners.</p> |
| <p>(f) Paragraph 4(a) of the Department of Management Services letter No. DMS/1670 dated 10 February 2014, addressed to the Secretary to the Ministry of Youth Affairs and Skills Development.</p> | <p>Although evaluation fees can be paid only for answer scripts submitted before the due date, despite the results of all examinations conducted by the University College in 2025 not having been released within the stipulated three-month period, contrary to the relevant circular, the full amount of Rs. 995,758 was paid as evaluation fees.</p> | <p>There is no approved formal procedure regarding an approved timeframe for conducting internal examinations and releasing results. However, although the proposed procedure required results to be released within a three-month period, this has been practically amended; starting this year (2026), the intention is to release</p> | <p>Evaluation fees shall be paid in accordance with the provisions of the circular only for answer scripts submitted before the due date.</p> |

examination results within a reasonable timeframe subject to the approval of the Board of Studies and to make payments accordingly.

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| (g) | Paragraph 6.6 of the Operational Manual for State-Owned Enterprises, introduced by State-Owned Enterprises Circular No. 1/2021 dated 16 November 2021. | Although a draft annual report for the relevant year was required to be submitted to the Auditor General along with the financial statements, the University College had not submitted the draft annual report alongside the financial statements. | Individual University Colleges do not prepare separate annual reports; instead, the University of Vocational Technology prepares an annual report encompassing all University Colleges and submits it to Parliament. Accordingly, the annual report pertaining to the institute is also to be submitted to Parliament by the University of Vocational Technology. | The draft annual report must be submitted along with the financial statements, in accordance with the provisions of the circular. |
| (h) | Paragraph 3.2 of the Guidelines on Corporate Governance introduced by State-Owned Enterprises Circular No. 1/2021 dated 16 November 2021. | Although the Annual Performance Review Meeting (APRM) should have been held within five months of the end of the financial year and prior to the submission of the annual report to Parliament, the University College had not conducted such meetings to date. | Individual University Colleges do not hold separate annual performance review meetings; instead, the University of Vocational Technology conducts annual performance review meetings that encompass all University Colleges. | Each University College must hold an annual performance review meeting in accordance with the provisions of the circular. |

2. Financial Review

2.1 Financial Result

The operational result for the year under review was a deficit of Rs. 26,438,973 and the corresponding deficit in the preceding year was Rs. 18,265,671. Therefore, a deterioration amounting to Rs. 8,173,302 in the financial result was observed. This decline was primarily driven by a reduction in capital grants and rising operating expenses.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Management Comment	Recommendation
(a)	Although 10,769 hours of theory and 4,988 hours of practical work need to be covered for the six courses conducted by the University College in accordance with the guidelines of the Tertiary and Vocational Education Commission, the University College had formulated a plan covering 7,463 hours of theory and 3,412 hours of practical work. Accordingly, 31 percent of the theoretical hours and 32 percent of the practical hours had not been covered. Furthermore, approval for this had not been obtained from the Tertiary and Vocational Education Commission.	According to the guidelines of the Tertiary and Vocational Education Commission, the maximum number of theory and practical hours that can be scheduled per week over a 15-week semester is 525 hours ($7 \times 5 \times 15$). In addition to the hours allocated for these modules, a total of 30 hours must be covered for IT and English, with 2 hours per week for each. Based on the example you provided, the maximum time practically available to us for the modules is 495 hours. The number of theory and practical hours is calculated and conducted according to specified ratios, up to the maximum manageable limit within these constraints. The operational framework for this has been presented.	Plans must be formulated in accordance with the guidelines of the Tertiary and Vocational Education Commission to ensure the coverage of learning hours while maintaining the quality of the course.
(b)	Although, in accordance with Paragraph 6(d) of the Operations Manual for University Colleges, the academic staff of the college are required to cover a minimum of 25 learning hours per week, in contrast, 12 members of the institute's academic staff had prepared individual timetables covering a teaching workload ranging from 14 to 24 hours per week.	A learning schedule that manages the relevant time in a more practical and efficient manner formulated after considering factors such as the number of study groups in the respective semester, the duration of the module, and the 25-hour timeframe specified in the operations manual is implemented subject to the approval of the Board of Study. Furthermore, in addition to the foregoing, duties related to additional	Timetables must be prepared to cover the required learning hours in accordance with Paragraph 6(d) of the Operations Manual for University Colleges.

tasks and positions assigned by the Director as specified in section 6.0.D of the operations manual are also carried out.

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| <p>(c) Between 2015 and 2025, the dropout rate at the University College without completing courses was high, ranging from 40% to 63% of the students enrolled in the courses. The University College's management had failed to study the reasons why students were dropping out of the courses and to take appropriate measures in response.</p> | <p>When comparing the number of students enrolled with the number who completed the course and received certification, the course completion rate shows a steady increase from the 2015 batch to the 2019 batch. However, the 63% figure for the 2020 group reflects the fact that it has taken five years of study to complete the course; they expect to finish it in upcoming semesters.</p> | <p>Necessary measures must be taken to minimize the number of students dropping out of courses.</p> |
| <p>(d) As two official quarters belonging to the Anuradhapura Technical College which is situated on the land with the extent of 2 acres, 3 roods, and 17 perches allocated to the University College in 2013 had not been vacated by the end of the year under review, it was not possible to formally vest the property in the University College by the date of audit. As academic and administrative activities were conducted within a single building situated on a roughly 100-perch section of the land, due to space constraints and other factors, student intake had to be limited to approximately 240, even though around 600 students applied for the courses annually.</p> | <p>The University of Vocational Technology and the line ministry have been informed on several occasions to vest the land in question with the University College. Officials from the institute have also participated in a number of discussions regarding this matter at the line ministry. Furthermore, following a discussion held at the Sri Lanka Parliament under the chairmanship of the Hon. Prime Minister, it has been agreed to hand over the relevant plot of land situated in front of the University College along with the official residence currently located there to the University College.</p> | <p>Adequate space must be allocated for the academic and administrative activities of the University College, and University College must be operated in an efficient and effective manner.</p> |

3.2 Human Resources Management

	Audit Observation	Management Comment	Recommendation
(a)	The applicant recruited by the University College in 2016 for the post of Lecturer (Probationary) in Building Services Technology did not possess the minimum qualifications required under the recruitment procedure, and the Bachelor of Technology degree obtained by the applicant was not the specialized or honours degree required for the position rather, it was merely a general degree (SLQF Level 05).	The University of Vocational Technology has been informed to take the necessary steps regarding this matter, and action is being taken to implement the required measures in accordance with those instructions.	Only qualified officers must be recruited in accordance with the approved Scheme of Recruitment.
(b)	Although the University College had initiated two preliminary inquiries regarding employee disciplinary matters in January 2025, appropriate disciplinary action had not been taken against those employees even by May 2026 by implementing the procedures set out in Sections 14 through 23 of Chapter XLVIII of the Establishments Code.	That there is an intention to proceed formally in this regard in the future.	Further action must be taken in accordance with the provisions of Sections 14–23 of Chapter XLVIII of the Establishments Code.